



WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

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ASRS Board

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For the week ending Friday, Feb. 6, 2004

Welcome to the ASRS Weekly Report. This report summarizes retirement-related legislation, and provides a briefing of news and notices important to member employers and your employees. Weekly Report is sent via email each Friday. Please direct comments related to this newsletter to Michelle Fink at michellef@asrs.state.az.us or phone (602) 308-5107.

***** Please distribute or make this report available to your employees. *****

ASRS News

- The Arizona State Retirement System is pleased to announce it has hired Denisse Gee as its new **Government Relations Officer**.

Ms. Gee comes to the ASRS from the Arizona State Legislature where she had served as a legislative research analyst for the Senate since November 2000. In her position with the ASRS, Ms. Gee will be responsible for working with the Legislature on retirement-related legislation. Prior to serving at the Arizona Legislature, Ms. Gee served as a legislative and budget analyst for the Hawaii State Legislature.

Ms. Gee holds a bachelor's degree from Wellesley College in Massachusetts and completed a one-year program of study at the London School of Economics.

- The **contribution rate for fiscal 2004-05** will remain at the current rate of 5.7 percent for both the employer and employee. The rate includes 5.2 percent for the pension plan, and 0.50 percent for long term disability. Contribution rates are subject to adjustment every two years. The current rate was set in November 2002 for FY 2003-04, and 2004-05.
- Our Member Services Division is scheduled to host a number of **Group Meetings & Seminars** designed for members thinking about retirement within the next year to five years. ASRS Member Services representatives will be traveling to cities and towns throughout the state in the coming months. Group Meetings and Seminars also take place regularly at our Phoenix and Tucson offices. Please be sure to let your employees know that if they're contemplating retirement, these meetings are available! A complete list is posted on the Calendar section of our website.
- Have you recently moved, or changed your name or your beneficiary? If so, please be sure to let our Member Services Division know, so we can **update your records**. You can send the information to: contactus@asrs.state.az.us, or reach a representative by phone at (602) 240-2000 in metro Phoenix, (520) 239-3100 in metro Tucson, or toll-free at (800) 621-3778.

Upcoming Board & Committee Meetings

- **ASRS Board of Trustees** - Friday, February 20, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Avenue, 10th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of our meetings are posted on our website and are available at our Phoenix and Tucson offices.

Quick Reference
ASRS Related Retirement Legislation
(For Period Ending Friday, February 6, 2004)

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB 2018 –ASRS; Late Employer Contributions; Payment Sponsor: Huppenthal As Introduced: Clarifies that ASRS participating employers who did not pay the amount of the employer contributions and all interest for periods prior to July 17, 1994, are liable for the total unpaid amount and accrued interest on the unpaid amount.	Assigned: Hse GR and Hse Rules Status: Awaiting Hse GR and Rules Second Read 1/19/04	As Introduced: None expected.	As Introduced: Actuarial letter received stating no cost.
HB 2029 – ASRS; Service Purchase; Cost Sponsor: Huppenthal Same As SB 1378 As Introduced: A five-year work requirement is added to three areas of law governing purchase of ASRS service credits: 1) credits for service for years in the military, 2) credit for service in the employ of other governmental entities, 3) credit lost due to an official one-year leave of absence. The formula used to calculate the cost to purchase the service credit is changed to a single standard based on the present value of the additional benefit. Payment for credited service may be via a rollover contribution of the member's accrued vacation, sick leave or overtime pay as long as certain conditions are met. Effective Jan 1, 2004.	Assigned: Hse GR and Hse Rules Status: <u>Passed Hse. GR - DP 1/20/04 (10-1-0-1-0)</u> Hse Rules 1/28/04 (11-0-0-1-0) C & P Passed House 57-0 Ready for Senate first read 2/4/04	As Introduced: \$180,000 one-time implementation cost including computer programming costs.	As introduced: This represents a contribution rate savings of 34 basis points total (17 for EE/ER each) for a total savings of \$24.8 million annually. Savings to State General Fund of \$3.2 million per year. Possible additional cost savings.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<p>HB 2049– ASRS; Membership; Political Subdivision Entities Sponsors: Huppenthal, Hubbs, Nelson, et al. As Introduced: HB 2049 stipulates that political subdivision entities are eligible to participate in the ASRS and provides a definition of political subdivision entities. The list of ASRS - member employers is expanded to include "participating political subdivision entities," defined as entities created by political subdivisions (including instrumentalities of subdivisions), a majority of whose members is composed of political subdivisions and whose primary purpose is the performance of government related service. Provisions for retroactive effective date and for purchase of service credits by those who worked for a political subdivision entity before the effective date of this act. Emergency clause.</p> <p>Government & Retirement Committee Amendment: Allows an active member of a participating political entity to purchase service under the statute that was in effect before January 1, 2004 as long as he or she applies for the service purchase before December 31, 2004.</p>	<p>Status: <u>Passed Hse. GR DPA</u> <u>10-0-0-2-0. Passed</u> <u>Hse. Rules C & P</u> <u>10-0-0-2-0.</u> <u>Passed Hse 56-1</u> <u>Senate First Read</u> <u>1/26/04.</u></p>	<p>As Introduced: None expected.</p>	<p>As Introduced: None.</p> <p>The Hse GR Amendment could result in the ASRS Fund being under compensated for the service purchased by an amount not yet determined.</p>

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB2052 ASRS; Retirement Incentive Costs Sponsor: Huppenthal Same as SB 1377 As Introduced: Requires the employer to pay the difference between the actuarial present value of the increased benefit and the contributions received if the employer offers the employee retirement incentives that result in increases in pension benefits for which the fund does not receive full compensation.	Assigned: Hse GR, Hse Rules Status: <i>Passed Hse GR, DP 1/27/04 (11-0-0-1-0) 2/4 House Consent 2/4 House Rules (10-0-0-2-0) C & P</i>	As Introduced: \$150,000 one-time implementation cost, including computer programming costs.	As Introduced: During the past few years, 1,342 members participated in retirement incentive programs with an average cost to the fund of \$33,800 each, totaling \$45,450,000.
HB 2077 ASRS; Long Term Disability amending section 38-797.07, Arizona Revised Statutes Sponsor: Huppenthal Same as SB 1379 As Introduced: 1. Requires existing employees of new employers to meet the same 12-month pre-existing condition limitations as new employees of existing employers. 2. Suspends the disability payment if the member refuses to participate in a recommended work rehabilitation program for which the member is reasonably qualified by education, training or experience. 3. Disallows the payment of disability benefits the first of the month in which the member is convicted of a criminal offense and confined to a correctional institution for more than 30 continuous days. 4. Clarifies that the benefits for both the primary and dependent Social Security beneficiaries are subtracted from the LTD benefits. 5. Requires members to pursue obtaining Social Security disability benefits through all available levels or until the claims administrator determines that the member would not be eligible for Social Security disability benefits. 6. Prevents members from bypassing the 24-month limitation on being disabled from <u>any</u> position by removing "consecutive" and adding "within the last five years" before being able to determine if a member is unable to perform any work for compensation or gain.	Assigned: Hse GR, Hse Rules Status: <i>Hse GR DPA (9-0-0-3-0) and Rules Second Read 1/15/04 From gov-ret with amend 3069</i>	As Introduced: None expected.	As Introduced: Issue 1: Currently paying 4, 000 members LTD benefits and the total number affected is unknown. Issue 2: Total cost savings is unknown. Issue 3: The cost to the ASRS is the amount of the LTD benefits paid to the three members who are incarcerated. Issue 4: Cost neutral to ASRS. Issue 5: It is estimated that ASRS has 563 claims in which members applied for SSDB twice and were denied. If all of these were pursued, and granted, using \$600 offset as an estimate of the average, ASRS could save over \$4 Million annually. Estimate 563 of the 750 claims (75%) that do not have an offset for SSDB now would be impacted.
HB 2078 – ASRS; Asset Management; Limitations Sponsor: Huppenthal As Introduced: Change to allow ASRS to hire a manager who has 3 years experience managing institutional funds and eliminate the requirement for having at least 10% of the ASRS assets under management currently. (38-718). Increase allowable percentage investment in foreign securities to 25%. (38-719)	Assigned: Hse GR, Hse Rules Status: <i>Passed Hse. GR DP (9-2-0-1-0)</i> Awaiting Rules Second Read 1/15/04	As Introduced: None	As Introduced: None

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB 2079 – ASRS; Normal Cost Definition Sponsor: Huppenthal As Introduced: Technical, redefine “Normal Cost” to the definition for Projected Unit Credit. (38-711) S/E NOW: Family builders; audits; repeals	Assigned: Hse GR, Hse Rules Status: <u>Passed Hse. GR (6-5-0-1-0) DPA/SE Rules (11-0-0-1-0)</u> Second Read 1/15/04 COW 2/5 DP	As Introduced: None	As Introduced: None
HB 2174 – ASRS; Electronic Medical Claims Submission System Sponsor: Biggs, Quelland As Introduced: An electronic medical claims submission system shall be implemented by the Dept of Administration, the Arizona State Retirement System, and AHCCCS by Jan 1, 2005. The system shall be used by these agencies as the sole method of receiving medical claims for payment. Emergency clause.	Assigned: Hse. Health, Approps, Rules Second read on 1/20/04	As Introduced: Not yet available.	As Introduced: Not yet available.
HB2185 - State Sick Leave Pay, Direct Transfer Sponsor: Gray As Introduced: Upon retirement, a state or county officer or employee may elect to have accumulated sick leave payouts transferred directly to an eligible retirement plan.	Assigned: Hse. GR, Educ Status: 1/27 – GR DP (12-0-0-0-0) 1/21 - House Educ, DP (11-0-0-1-0) 2/4 – Rules DP (12-0-0-0-0) Through Caucus	As Introduced: Not yet available.	As Introduced: Not yet available.
HB2382: Social Security Numbers, Government Use Sponsor: Gray As Introduced: Restrictions on the use of a person's social security number are waived for the Dept of Revenue and for all law enforcement agencies (currently, the waiver extends to all agencies of the state as well as municipalities, counties and other political subdivisions).	Assigned: 2/3 – DP GR (9-0-0-3-0). Awaiting Rules 1/26/04	As Introduced: Not yet available.	As Introduced: Not yet available.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<p>HB2599: Retirement; ASRS, Retiree Health Insurance</p> <p>First sponsor: Rep. <u>Konopnicki</u>. Others: Rep. <u>Alvarez</u>, <u>Burns</u>, <u>Chase</u>, <u>Wagner</u>, Sen. <u>Arzberger</u>, <u>Brown</u>.</p> <p>Same As SB 1176</p> <p>As Introduced: Group health insurance offered by the state retirement plan to its retired members shall have comparable premiums, deductibles and co-payments for all participants regardless of where they live in the state.</p>	<p>Assigned: Committee reference awaited.</p>	<p>As Introduced: Not yet available.</p>	<p>As Introduced: Not yet available.</p>
<p>HB2600: Retiree Health Insurance Study</p> <p>First sponsor: Rep. <u>Konopnicki</u>. Others: Rep. <u>Alvarez</u>, <u>Burns</u>, <u>Chase</u>, <u>Wagner</u>, Sen. <u>Arzberger</u>, <u>Brown</u>.</p> <p>Same As SB 1192</p> <p>As Introduced: Legislative Council shall contract with a private entity to perform a study on various alternatives to provide health care coverage to retirees, including the feasibility of a single health insurance program for retirees of all state retirement plans or of allowing retirees to remain in the same health care plan as their previous employers; others. Report due Dec 1, 2004.</p>	<p>Assigned: Committee reference awaited.</p>	<p>As Introduced: Not yet available.</p>	<p>As Introduced: Not yet available.</p>

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
SB1176 - Retirement; ASRS, Retiree Health Insurance First sponsor: Sen. Arzberger. Others: Rep. Burns, Carruthers, Konopnicki, Wagner, Sen. Cannell. Same As HB 2599 As Introduced: Premiums and coverage for health insurance offered by ASRS for its retirees must be comparable for all eligible persons in the state.	Assigned: 1/27 - referred to Senate fin, appro.	As Introduced: Not yet available.	As Introduced: None
SB1192 – Retiree Health Insurance Study Sponsor: Arzberger Same As HB 2600 As Introduced: JLBC will contract with a private entity to conduct a study and make recommendations on various suggestions to provide a single health insurance plan for retirees in all four state retirement systems.	Assigned: 1/27 - referred to Senate fin, appro	As Introduced: Not yet available.	As Introduced: None
SB1348: Retirement; ASRS, Military Reserve Service Sponsor: Sen. <u>Hellon</u> . As Introduced: Provision that an active member of the Arizona State Retirement System may purchase credited service for time spent on active military duty is expanded to include military reserve duty if the member submits a military service record that specifies the duration of reserve service.	Assigned: 2/4 - referred to <u>Senate fin</u> & rules	As Introduced: Not yet available.	As Introduced: Not yet available.
SB1290: Retirement; State, Retiree Health Insurance Sponsor: Martin. As Introduced: Retired members of ASRP, EORP, and CORP must provide written evidence of health care coverage to the fund manager before the fund begins payment of the health care insurance subsidy.	Assigned: 2/3 - referred to <u>Senate fin</u> & rules	As Introduced: Not yet available.	As Introduced: Not yet available.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<p>SB1377: Retirement Incentive Costs; ASRS</p> <p>Sponsor: Martin.</p> <p>Same As HB 2052</p> <p>As Introduced: If a retirement incentive program results in an actuarial unfunded liability to the Arizona State Retirement System, the employer who offers it must pay ASRS the amount of the liability as determined by ASRS. Retirement incentive program is defined as one that gives an increase of 30% or more in pay in any of the last 3 years before retirement if the increase is used to calculate the retirement benefit and other conditions apply.</p>	<p>Assigned: 2/5 - referred to <u>Senate fin</u> & rules</p>	<p>As Introduced: \$150,000 one-time implementation cost, including computer programming costs.</p>	<p>As Introduced: During the past few years, 1,342 members participated in retirement incentive programs with an average cost to the fund of \$33,800 each, totaling \$45,450,000.</p>
<p>SB1378: Retirement; ASRS Service Purchase</p> <p>Sponsor: Martin</p> <p>Same As HB2029</p> <p>As Introduced: The qualify to purchase public-service, leave-of-absence or military-service credits for use toward retirement benefits under the Arizona State Retirement System, an individual must have earned at least five years of credited service. Provision is made for use of a rollover contribution for accrued vacation, sick leave or overtime pay.</p>	<p>Assigned: 2/5 referred to <u>Senate fin</u> & rules</p>	<p>As Introduced: \$180,000 one-time implementation cost including computer programming costs.</p>	<p>As Introduced: This represents a contribution rate savings of 34 basis points total (17 for EE/ER each) for a total savings of \$24.8 million annually. Savings to State General Fund of \$3.2 million per year. Possible additional cost savings.</p>

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
SB1379: Retirement; ASRS; Long Term Disability Sponsor: Martin Same As HB 2077 As Introduced: The list of reasons for which payments under the long-term disability program of the Arizona State Retirement System will stop is expanded to include a member's refusal to participate in a work rehab program and a member's conviction of a crime with jail time of more than 30 days. A member can be considered totally disabled if he received benefits for any 24 months in a five-year period (prev 24 consecutive months, no period) and is unable to perform work for pay that is equal to the benefits.	Assigned: 2/5 - referred to <u>Senate fin</u> & rules.	As Introduced: None expected.	As Introduced: Issue 1: Currently paying 4, 000 members LTD benefits and the total number affected is unknown. Issue 2: Total cost savings is unknown. Issue 3: The cost to the ASRS is the amount of the LTD benefits paid to the three members who are incarcerated. Issue 4: Cost neutral to ASRS. Issue 5: It is estimated that ASRS has 563 claims in which members applied for SSDB twice and were denied. If all of these were pursued, and granted, using \$600 offset as an estimate of the average, ASRS could save over \$4 Million annually. Estimate 563 of the 750 claims (75%) that do not have an offset for SSDB now would be impacted.

LEGEND

AMEND C&P Constitutional and Proper as Amended by the House Rules Committee
APPROP Appropriations Committee
ASRS Arizona State Retirement System
C&P Constitutional and Proper
CORP Corrections Officer Retirement Plan
COW Committee of the Whole
DP Do Pass
DPA Do Pass as Amended
EORP Elected Officials' Retirement Plan
FII Financial Institutions and Insurance Committee
FIN Finance Committee
GF General Fund
GOV Government Committee
GR Government and Retirement Committee

HB House Bill
HCR House Concurrent Resolution
HHR House Hearing Room
Hse. House of Representatives
JUD Judiciary Committee
LTD Long Term Disability
PFC Proper for Consideration
PFCA Proper for Consideration as Amended by the Senate Rules Committee
PSPRS Public Safety Personnel Retirement System
SB Senate Bill
S/E Strike Everything Amendment
Sen. Senate
SHR Senate Hearing Room
WM Ways and Means Committee

**The weekly legislative report is available on-line at the ASRS Web site:
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If you have questions relating to legislation, please contact ASRS Government Relations Officer
Denisse Gee at (602) 240-2027 or via email at DenisseG@asrs.state.az.us.